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2 Competition Limits U.S. Farm Sales Gain in Saudi Market

5 Saudi Arabia Boosting Farm Output, Exports

7 U.S. Farm Export Prospects and Trade Policy Directions

10 Turkey: Land of Potential and Problems

12 Egypt's Imports of Vegetable Oils

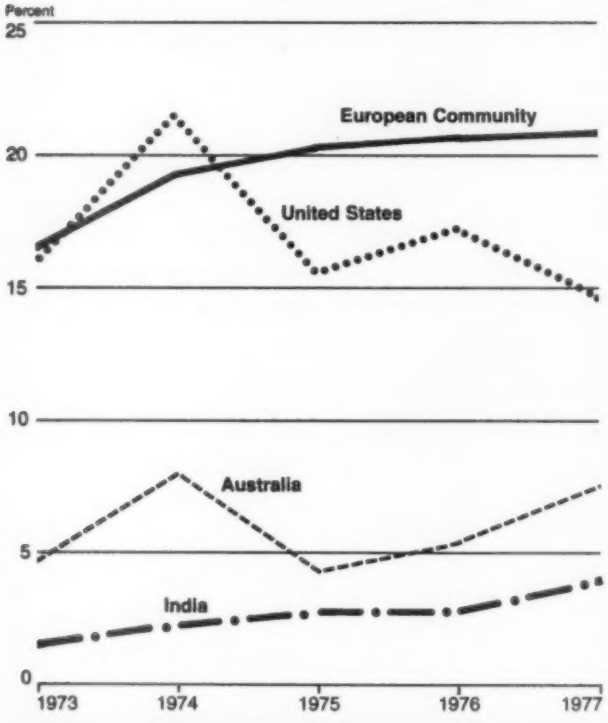
15 Indonesia Ups Coconut, Palm Product Output

A Turkish farmer inspects his corn.

Competition Limiting U.S. Farm Sales Gain In Saudi Market

By John B. Parker, Jr.

Share of the Saudi Farm Market Held by Major Suppliers



Under pressure from some of the most intense agricultural competition to be found, U.S. farm sales to Saudi Arabia this year probably will gain only slightly from the $165 million shipped in calendar 1976.

This deceleration of a trade that had scored a fivefold gain between 1972 and 1976 reduces the U.S. share of Saudi Arabia's market for the third straight year. Yet a glimmering of hope for future sales is evident in the late-season pickup in U.S. grain sales to Saudi Arabia—including some rare sales there of coarse grains—and in continued growth in exports of consumer-ready products.

The first three quarters of 1977 brought disappointing results for U.S. agricultural exports to Saudi Arabia, with the value of shipments through September down by about 14 percent to $118 million from that for the same period of 1976. However, recent sales of U.S. rice, barley, and corn and larger deliveries of wheat flour in late 1977 could boost U.S. agricultural exports to Saudi Arabia above the 1976 level to perhaps $180 million.

While still on the plus side, this showing represents a marked slowdown in U.S. farm exports to Saudi Arabia, which rose from $33 million to $165 million between 1972 and 1976.

Total farm imports by Saudi Arabia, on the other hand, are continuing to score sharp gains and could hit $1.2 billion this year after having reached the $1-billion level in 1976. This is a far cry from the $283 million purchased in 1972, reflecting the immense purchasing power in this barren desert country, which can produce only about half the needed farm products.

The recent history of U.S. farm exports to Saudi Arabia has been marked by sharp ups and downs in the U.S. share of the Saudi market, largely reflecting the competitive position of U.S. wheat flour and grain prices vis-a-vis European and Oceania prices. The U.S. share of total Saudi food imports reached its peak of 23.8 percent in 1968, fell to 10 percent in 1971 as Australia became a larger supplier of wheat and flour, and rebounded to 21.6 percent in 1974 because of spectacular gains in sales of U.S. wheat flour and rice. Since then, the U.S. market share has totaled 15.5 percent in 1975, 17 percent in 1976, and a prospective 14.6 percent in 1977.

One reason for the diminished U.S. role recently is the bumper world wheat crop and abundant rice supplies. These have prompted rugged price competition in the Saudi market, and U.S. grain sales there will only equal or slightly exceed last year's level.

U.S. rice exports to Saudi Arabia this year are likely to end up slightly ahead of the 116,434 tons shipped in 1976, although lower average prices will keep their value near the $48.8 million earned in 1976. Last year, in contrast, U.S. rice exports to Saudi Arabia rose 45 percent in volume from the 80,171 tons shipped in 1975 and almost a third in value.

Total Saudi rice imports are expected to hit a record 315,000 tons this year, compared with 258,000 in 1976. Imports of Thai rice rose substantially in early 1977, continuing earlier strong gains that had boosted such imports to 125,000 tons in 1976. However, deliveries from Thailand slowed in mid-1977 in concert with a pickup in shipments of U.S. rice, which totaled 70,000 tons in August-September alone.

Sales of basmati rice from Pakistan and India to buyers in the Eastern Province have remained strong this year. In 1976, Saudi Arabia imported 58,000 tons of rice from Pakistan and 11,000 from India.

Improved farming techniques allowed Saudi farmers to push wheat production from 90,000 tons in 1974 to 205,000 in 1976. Yet imports of wheat flour reached a record 347,000 tons in 1976, including 218,000 from the United States. These imports will score another strong gain in 1977 to around 400,000 tons, both as a result of increased demand and a set-

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back in domestic production following a heat wave early this summer.

The United States, however, has come up against intense competition in this market from the European Community and Canada. As a result, U.S. wheat flour exports to Saudi Arabia in 1977 probably will fall below last year's volume, and value may dip 10 percent from the $53-million peak achieved last year.

Saudi wheat imports are not expected to rise sharply until modern mills under construction at Jidda, Riyadh, and Damman begin operating in 1978. However, Australian wheat deliveries did jump from 60,000 tons in 1975 to 80,000 in 1976 and further gains are anticipated this year. Saudi Arabia purchased 12,000 tons of U.S. wheat during 1975, only 5,000 in 1976, and 26,000 in 1977.

The United States also exported 13,000 tons of barley and 3,000 tons of corn to Saudi Arabia in August 1977—the first shipments of coarse grains to this growing market in several years. The breakthrough came as Thailand—Saudi Arabia's usual supplier—withdrew from the market after having sold more corn than it had available for export. This temporary shortfall in Thai corn supplies should open up further opportunities for sales of U.S. feedgrains.

Total Saudi imports of coarse grains this year are likely to be in the vicinity of 250,000 tons, including over 40,000 tons of sorghum and millet from the Sudan and 15,000 from Thailand. Australia sent 43,000 tons of sorghum to Saudi Arabia in 1976, and this trade has continued in 1977.

While it has capitalized on opportunities to sell coarse grains to Saudi Arabia this year, the United States has been less successful in maintaining growth in animal feed shipments. These are expected to total 31,500 tons valued at $8.1 million, compared with 29,938 tons at $8.3 million last year, when such exports nearly doubled the volume of 1975 shipments.

The gain last year came as expansion of broiler operations in the Asir Highlands spurred demand for animal feed and oilcake imported from the United States, the EC, India, and Sudan. This year, in contrast, competitors are cutting into the U.S. market share, with India, Pakistan, and European nations among those shipping more poultry feed to Jidda and Damman.

U.S. beverage ingredients are continuing to enjoy growing popularity on the domestic market, where urban residents are opting for imported fruit juices or soft drinks over water that costs more than 60 cents per gallon. From only $469,000 worth in 1974, U.S. beverage sales soared to $4 million in 1976 and may approach $5 million this year. In addition, U.S. sales of fruit juices to Saudi Arabia this year should touch $4 million.

In addition to its usual shipments of grains and flour, the United States has been increasingly successful in selling consumer-ready products to Saudi Arabia. Such products now account for almost 40 percent of total U.S. farm exports to that country—a percentage share seldom seen in other markets, where bulk products generally dominate U.S. farm trade.

And the rapid rise in this consumer-ready trade—from only 19 percent of the market in 1973—has helped to compensate for the recent slowing of growth in U.S. grain exports to Saudi Arabia.

Among the developing countries of Asia and Africa, Saudi Arabia is the leading U.S. market for consumer-ready foods; value of these imports in 1977 might reach $70 million—up from $51 million in 1976 and only $6 million in 1972.

Last year, the largest consumer-ready exports included corn oil, beef, poultry, fruit juices, canned fruit, and canned vegetables. These items have continued important in 1977, although several have lost ground to the products of aggressive competitors.

U.S. exports of corn oil to Saudi Arabia, for instance, rose more than fourfold between 1974 and 1976 to reach 6,447 tons valued at $8 million. But growth this year has been stalled because of rising deliveries of European soybean oil (crushed largely from U.S. soybeans) and butter oil for cooking. Singapore also is supplying cooking oil.

The United States will gain a fraction of the 55 percent increase in Saudi meat imports this year—to an expected 85,000 tons valued at $100 million. But most of the benefit will go to EC and Australian suppliers, who are underselling U.S. shippers—sometimes with the benefit of export subsidies.

Saudi imports of frozen poultry this year are likely to reach 70,000 tons—up from 62,000 in 1976 and 17,991 in 1974.

Continuing its rapid market growth of recent years, France—benefiting from substantial EC export subsidies on poultry—will account for more than one-third of the total poultry import.

On the other hand, dwindling arrivals from Eastern Europe, Lebanon, and some EC members have encouraged Saudi importers to seek more U.S. poultry, particularly frozen turkeys. As a result, U.S. exports of frozen poultry to Saudi Arabia may reach 990 tons valued at $2.3 million this year, compared with 943 tons at $2.2 million in 1976.

U.S. beef exports to Saudi Arabia this year might hit 2,350 tons valued at $7 million—up from 642 tons worth $2.3 million in 1976.

Heretofore, Saudi beef imports have been relatively small and largely from Australia, which supplied 3,482 tons of the 5,000 tons of beef imported last year. However, demand for choice beef has been enhanced by the growing affluence of Saudi and expatriate populations and the establishment of luxury hotels and restaurants. These trends should bolster imports of choice U.S. beef.

Saudi Arabia's mutton and lamb imports rose from 523 tons in 1974 to 5,902 in 1976, with Australia supplying more than 90 percent of the imports. Takings of luncheon, dried, and canned meat rose from 781 tons in 1964 to over 2,200 in 1976, with larger arrivals from Brazil, Australia, and the United States.

Total Saudi meat imports have been encouraged recently by attractive world prices for beef and mutton, construction of new cold storage facilities, and difficulties in obtaining animals from Ethiopia and Somalia.

Together with Sudan, these two countries supplied most of the live animal imports in the last 3 years, which have averaged over 1.2 million sheep and goats and 50,000 head of cattle a year. But drought and political changes in Ethiopia have begun to curtail deliveries of sheep from that that country, while Somalia recently has diverted shipments of sheep and goats

from Saudi Arabia to other Middle Eastern nations.

Saudi Arabia also is becoming a major market for other U.S. processed foods. In 1976, it was among the five leading export markets for U.S. peanut butter, peanut preparations, canned pears, popcorn, pickles, fresh milk, beef, and catsup.

New supermarkets modeled after American stores are stocking vast numbers of such products, virtually all of which are imported. And widespread refrigeration has allowed American-style food shopping, preservation, and consumption to develop among higher income residents.

While a small permanent population of around 6.2 million would seem to impose limits on growth in Saudi food and agricultural imports, other factors are serving to sustain the upward momentum. About 1.5 million foreigners now live in Saudi Arabia, including about 1 million from neighboring Yemen, partly as a result of large construction projects and contracts for improving infrastructure.

A sizable number of the foreigners are from Europe, North America, Japan, and Lebanon, whose modern eating habits have boosted demand for consumer-ready and snack foods and sparked a boom in supermarket retailing. Wealthy Saudis, in turn, are adopting Western eating habits, and thus contributing to the strong demand for high-protein foods and processed products.

Reflecting these changes, average caloric intake by 1976 had risen to 2,620 calories for urban areas and 2,280 for rural areas.

Yet, in terms of costs, Saudi Arabia is hardly feeling the financial impact of rising food imports. Last year, for instance, the country spent only 3 percent of its $32-billion petroleum revenues for farm imports. □

U.S. Exports of Specified Products to Saudi Arabia, Annual 1972-76 and Forecast for 1977

Commodity	Quantity						Value					
	1972	1973	1974	1975	1976	1977 [1]	1972	1973	1974	1975	1976	1977 [1]
	Metric tons	Metric tons	Metric tons	Metric tons	Metric tons	Metric tons	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.
Bulk items:												
Rice	79,477	70,409	90,066	80,171	116.434	120,000	16,280	31,966	55,027	37,054	48,814	47,000
Wheat flour	107,681	100,991	150,246	183,980	217,819	215,000	9,117	14,847	36,720	43,732	52,956	44,000
Wheat	—	34,918	—	12,119	5,117	26,000	—	3,916	—	2,349	1,169	3,000
Poultry feed	2,722	5,443	9,979	15,422	29,938	31,500	499	2,042	2,565	3,724	8,328	8,100
Soybean oilcake	852	—	1,284	1,100	2,722	1,200	167	—	402	177	671	250
Barley	—	—	—	—	—	13,500	—	—	—	—	0	1,350
Corn	6,096	1,752	—	—	—	3,000	529	121	—	—	—	340
Soybean flour	—	525	—	1,788	1,300	500	—	136	—	503	363	100
Seeds	39	70	107	101	80	170	158	247	544	637	513	950
Liquid beverage base (gals.)	16	40	15	31	44	55	712	2,647	469	2,246	4,007	4,500
Flavoring syrup	45	87	166	261	556	600	98	112	180	505	1,029	1,600
Total bulk items	196,928	214.235	257,863	294,973	374,010	411,525	26,753	53.275	95,258	88,176	113,845	111,190
Specified consumer-ready items:												
Corn oil	1,098	1,102	1,509	4,596	6,447	6,500	885	888	2,370	7,330	8,083	8,005
Frozen poultry	197	94	270	894	943	990	207	521	456	1,067	2,217	2,300
Beef and veal	55	51	57	101	642	2,350	248	238	260	317	2,347	7,000
Meat preparations	86	148	170	224	337	630	133	298	322	450	683	800
Fresh milk	87	161	165	419	263	300	115	337	325	1,296	780	900
Honey	15	52	73	49	71	300	9	50	117	84	109	600
Syrups	88	267	83	232	372	350	226	945	103	863	1,459	1,300
Sugar prep.	79	117	78	114	368	400	81	122	115	275	581	800
Coffee	146	57	187	166	280	500	329	167	658	560	1,126	4,000
Spices	20	14	33	52	71	75	70	50	184	181	372	600
Canned peaches	88	61	124	183	176	375	34	26	60	99	116	300
Canned pears	4	24	41	79	153	320	3	13	24	50	107	275
Fruit cocktail	86	102	231	223	178	600	37	50	110	142	128	400
Other canned fruit	34	37	98	154	163	280	17	24	71	127	298	600
Other pulses	125	124	208	97	296	700	48	47	145	87	245	860
Frozen vegetables	124	148	280	285	445	525	93	123	251	281	438	500
Canned beans	20	47	62	106	229	800	7	19	35	77	176	900
Canned peas	42	51	85	75	200	500	19	23	50	49	145	500
Catsup	43	29	118	84	511	600	23	16	82	85	554	750
Soup	145	232	264	191	342	600	74	134	184	146	295	400
Potato, corn chips	5	9	25	30	76	300	12	19	47	69	180	1,000
Peanut butter	32	134	200	98	429	250	41	154	249	176	703	400
Peanut prep.	9	9	15	32	137	160	13	14	27	68	226	300
Mixed nuts	5	7	21	39	48	110	13	19	66	121	169	410
Hydrogenated oils	163	193	148	419	463	500	198	235	205	528	535	500
Total consumer-ready	(2)	(2)	(2)	(2)	(2)	(2)	6.061	12,270	14,770	28,926	51,134	70,000
Total	(2)	(2)	(2)	(2)	(2)	(2)	32,814	65,545	110,028	117,102	164,979	181,119

[1] Unofficial forecast. [2] Not applicable.

Saudi Arabia Boosting Farm Output, Exports

By John B. Parker, Jr.

In contrast to its massive petroleum exports of over $32 billion annually, Saudi Arabia's agricultural exports are small. Yet the country has been boosting both farm production and exports, with impressive results since 1971 for watermelons, tomatoes, onions, and various winter vegetables.

Total exports of these and other farm products are expected to reach $25 million this year—10 times the $2.5 million recorded in 1971—while greater food production for the domestic market is helping to moderate the rate of growth in agricultural imports.

Indeed, if Saudi Arabia had imported the products grown domestically in 1976, the cost would have been about $1 billion—the same as actual agricultural imports that year.

Lack of rainfall and arable land has long limited agricultural production in Saudi Arabia, although innovative farming techniques employed since the 1973 hike in petroleum prices have sparked strong production gains. In 1976, for instance, crop production rose an estimated 6 percent from the previous peak achieved in 1975 and almost doubled average output in 1968-72.

Improvements in irrigation facilities and greater use of subsidized inputs contributed to this growth. Government incentives available to farmers include loans of around $100 million a year by the Agricultural Development Bank. Producers also receive a subsidy of $70 per ton when they market their wheat crop. Seed and irrigation water are provided free, and fertilizer is available at half the delivered price, which is relatively low since Saudi Arabia is a surplus producer of nitrogenous fertilizer.

Land available for farming in Saudi Arabia totals some 800,000 hectares—about the size of Delaware. This consists largely of scattered oases in a country that compares in size with the area of the United States east of the Mississippi River.

Cereals occupy about two-thirds of the cropland, with multiple cropping in some irrigated areas allowing farmers to grow wheat in the winter and melons in the summer. Dates—the largest income producer and one-time leading export—cover 27,000 hectares, and alfalfa is grown under trees in many of these groves. Area planted in vegetables also has increased markedly during the last 7 years.

Export crops. Watermelons recently moved ahead of dates as Saudi Arabia's leading farm export. Shipments last year were up to 38,000 metric tons valued at $5 million from 9,787 worth $2 million in 1973, and a doubling of export value is seen for 1977. Among the major markets are Kuwait, whose takings last year were triple the 5,408 tons received in 1971; the United Arab Emirates (UAE), and Qatar.

In addition, new arrangements through the Arab Common Market have allowed Saudi Arabia to become a duty-free supplier of watermelons to Baghdad and Damascus early in the season during May and June.

Domestically, watermelons now rank as the second most valuable crop, over 60 percent of which is grown in Qasim Amirate. Farmers last year received an average of about $100 per ton for this crop.

Shipments of dates—once the leading export—have declined recently. However, higher prices have largely offset volume declines and kept yearly returns near the $1 million level, compared with 1973 exports of 8,830 tons worth $1.1 million. Major markets are Kuwait, Qatar, Yemen Arab Republic, and Bahrain.

Dates also continue to rank as the leading domestic crop, with a total value in 1976 of about $200 million. Production recently has suffered from neglect of trees as a result of rural workers leaving for better jobs in urban areas. However, new programs are underway to revive date production. The goal is to plant up to 1 million new date trees, including some improved varieties imported from California.

Other fruits and vegetables—especially tomatoes, onions, and winter vegetables of the cabbage family—have exhibited some dramatic production and export gains.

Tomato exports fell from 5,606 tons in 1972 to 1,610 in 1973, mostly because of smaller deliveries to Kuwait. However, they rebounded to more than 10,000 tons in 1976 as shipments to Kuwait recovered and larger deliveries were made to the UAE and Qatar.

Total domestic production of tomatoes in 1976 exceeded 400,000 tons—quadruple the 1971 level. High-yielding varieties of American tomatoes thrive in Saudi Arabia, particularly in the winter and spring, while generous Government financing and subsidized inputs have encouraged producers to expand output.

In support of this burgeoning industry, new tomato-to-processing facilities are planned in Qasim Amirate. Tomato products also are being well received on the domestic market since the juice can be purchased by urban shoppers for about the same price as drinking water.

Exports of onions likewise have risen dramatically. From only 282 tons in 1972, shipments rose to 8,000 tons last year. Kuwait, Qatar, UAE, Oman, and Yemen were the major markets and took more Saudi onions than usual as a result of export bans by India and Iran.

All told, Saudi Arabia produces over 70 percent of its fruit supply and anticipates becoming a net exporter of vegetables.

Grain crops. Saudi grain output has been heading upward in recent years, although it has slipped somewhat since reaching a record 600,000 tons in 1975. The country also produces about a million tons a year of alfalfa, which is a major source of animal feed.

Government subsidy records show that wheat production rose from 90,000 tons in 1974 to around 194,000 in 1974 and 205,000 in 1976. This year, however, a heat wave has reduced yields, resulting in the first production setback in several years for wheat—and grain sorghum and millet as well.

Previously, production of grain sorghum had risen

Continued on page 14

U.K. Smokers Spurn Tobacco Substitutes

By Kenneth E. Howland

The United Kingdom's disappointing 5-month experience in marketing cigarettes containing up to 25 percent tobacco substitute material has resulted in sharp production cutbacks, destruction of some substitute stocks, and tax rebates.

However, the long-term challenge of substitutes to natural tobacco has not been substantially diminished, and U.K. cigarette manufacturers may now stress their claims that substitutes are safer than natural tobacco and seek more favorable tax rates for substitutes.

U.K. cigarette manufacturers, backed by one of the most expensive promotional campaigns in British advertising, on July 1 launched 12 new brands of king-size cigarettes containing up to 25 percent substitute (wood-cellulose base) material.

The market introductions followed years of research and testing by manufacturers and close scrutiny by a Government-appointed committee (the so-called Hunter Committee) to examine the health implications of tobacco substitutes and flavor additives.

The new brands fell far short of achieving the anticipated sales levels. Market penetration amounted to about 3 percent, instead of the hoped-for 5 percent share. Only one in 10 British smokers sampled the new brands in the early weeks following their introduction.

Sales of the substitute-containing cigarettes dwindled during August and September, and unsold stocks accumulated on retail shelves in spite of price reductions.

In early October, operations at the plant producing one of the two substitute materials were sharply curtailed and British tax officials agreed to the destruction of 45 million cigarettes containing the substitute materials and rebate of the tobacco tax paid on these cigarettes.

By the end of October, the market share for the new brands had fallen to little more than 1 percent.

Some observers believe the new brands were doomed from the outset, when the U.K. Government made it clear that substitute-containing cigarettes could not be advertised as being any safer than conventional cigarettes, and that they would be taxed at the same rate—thereby denying any incentive for smokers to switch.

Others fault the massive and simultaneous advertising barrage that introduced the new brands, which raised too many expectations and made it difficult for smokers to differentiate between brands.

Another theory is that the introduction timing was poor. The U.K. market in July was still in turmoil as a result of tax structure changes and a consequent price war in king-sizes.

In retrospect, manufacturers perhaps would have been wiser to have delayed introduction until after October 1, when they would have been permitted to use flavor additives to mask any objectionable taste.

Also, constraints imposed until April precluded the full market trials usually conducted in advance of new brand introductions.

Manufacturers blame the Government for first having encouraged the costly development of tobacco substitutes to reduce tar and nicotine levels and then tacitly supporting contentions by the antismoking lobby that the new brands were no safer than conventional cigarettes.

Regardless of the reasons, U.K. smoker rejection of tobacco substitutes may affect other markets. Manufacturers watching the U.K. experience in tobacco substitutes may now think twice before taking a like gamble.

On the other hand, it is by no means certain that the U.K. tobacco industry will consign substitutes to the dustbin of smoking innovations that failed to win consumer acceptance.

Manufacturers are not likely to write off casually the large (estimated as high as $275 million) investment that went into development of tobacco substitutes.

Despite the disappointing sales performance of the new brands, indications that brands in the low- to middle-tar range are decidedly outselling those in the low-tar range, and that new brands priced 5-6 cents per pack below conventional king-size cigarettes are selling best of all, may encourage manufacturers to rationalize, rather than drop, their marketing plans for substitutes.

U.K. manufacturers are restating their conviction that extensive research has proved substitutes are clearly the best means for controlling tar and nicotine levels and reducing irritants in smoking products—in short, that substitutes are safer.

Manufacturers may decide to concentrate their efforts on obtaining official endorsement to this effect and perhaps taxes on the substitutes below those paid on tobacco. □

The author is an economist in the Tobacco Division, Foreign Commodity Analysis, FAS.

Australia Keeps Wheat at $2.01/Bushel

Australia's Minister of Primary Industry has announced that the first advance payment for 1977/78 crop wheat will be the same as that for 1976/77—US$2.01 per bushel, less freight to ports—for all deliveries made to the Wheat Board.

Funds for the first payment are made available under Government guarantee until the Board disposes of and receives payment for the wheat.

The first advance for 1975/76 crop wheat was US$1.67 per bushel. It was raised to $2.01 for the 1976/77 crop.

Payments to growers from the 1975/76 and 1976/77 wheat pools have not been completed.

From the 1975/76 pool, final returns to growers are expected to be about $2.93 per bushel, while those for the 1976/77 pool apparently will be around $2.40 per bushel. □

U.S. Farm Export Prospects and Trade Policy Directions

With a 10 percent increase in the volume of U.S. farm exports and a drop in value forecast for 1978, Thomas R. Saylor, Associate Administrator, Foreign Agricultural Service, called for new "export strategies" to meet new conditions in international agricultural trade. He noted that "economic development programs in poorer countries can be as important as sales promotion campaigns among the prosperous . . . that credit facilities and most-favored-nation treatment can be as potent as the shrewdest trade negotiator in laying the base for solid, sustained growth in U.S. agricultural exports." Excerpts from his speech at the 1978 Food and Agriculture Outlook Conference, November 15, follow.

The Department of Agriculture is predicting an increase of close to 10 percent in the volume of agricultural exports in fiscal 1978 to just short of 110 million metric tons. That would be a new record, and that is the good news. Unfortunately, export prices, averaging around 15 percent below those of last year, will more than offset the volume increase, so we look for a 1978 export value of about $22 billion—$2 billion below the record $24 billion of fiscal 1977.

That was the bad news, but I think the growing world demand for food and the growing interdependence among countries can make bad export news a short-term proposition if we take advantage of what we have learned during the years of unprecedented agricultural export growth.

I want to talk about that later, but first I should summarize the prospects for the current fiscal year. We expect exports of $22 billion. At the same time, U.S. agricultural imports are forecast to total about $13.5 billion, marginally above the record imports of last year. What it adds up to is the prospect of a decline in the U.S. agricultural trade surplus of about $2 billion from last year's $10.5 billion.

Grain exports and those of soybeans are expected to increase in volume by about 10 percent. Cotton exports look to be down somewhat in both volume and value, along with shipments of animal fats and vegetable oils.

Among the major markets, we expect U.S. exports to Western Europe to decline, perhaps by as much as 15 percent. Good harvests there will result in reduced imports of U.S. feedgrains and potatoes. However, a higher grain-oilseed price ratio should stimulate increased shipments of soybeans and meal to this region, and harvest damage to European wheat quality should bring slightly larger imports of U.S. high-quality wheat.

Although we expect increases in volume of both feedgrains and soybeans and meal to Japan, lower prices for these commodities are expected to cause a decline in value of U.S. exports to Japan of close to 15 percent. Wheat exports to Japan may increase marginally, and increases are forecast for fruits and animal products.

U.S. agricultural exports to Canada, North Africa and West Asia are expected to rise, and a sharp gain is forecast in exports to the Soviet Union—from $1.1 billion in fiscal 1977 to $1.6 billion in the current year. U.S. exports to Eastern Europe are expected to rise by about $120 million to $1.1 billion.

I should also mention the People's Republic of China (PRC), where this fiscal year will see the first significant U.S. farm exports since 1975. The PRC already has bought U.S. cotton and soybean oil for delivery during the year and some added purchases of U.S. products seem likely.

U.S. agricultural exports to East and Southeast Asia are expected to continue their strong growth of recent years. Volume increases are expected in wheat, feedgrains, soybeans, tobacco, and cotton, although total value probably will be little different from the $2.47 billion of last year.

The outlook for the major commodities:

The U.S. grain and feeds export forecast for the year is $9.8 billion, off 4 percent from last year. This includes prospects for substantially higher imports by the USSR. However, to reach the projected level of imports which is currently estimated at 20-25 million tons from all sources, a substantial pickup in the rate of actual shipments to the USSR will be required in the coming months. West European coarse grain imports from all sources will likely decline from last year's level, although the extent of livestock feeding could moderate the expected decline.

Right now, we are forecasting feedgrain exports of 50.4 million tons valued at $4.8 billion—near last year's volume but down somewhat in value. It looks like wheat exports will rise by about 20 percent in volume. This will be enough to offset the lower price and bring the value of wheat and flour exports to $3.1 billion, slightly more than last year.

We look for a decline of 22 percent in export value of oilseeds and products to $5 billion, despite a significant increase in export volume of soybeans and meal.

Record Exports of Livestock and Products

Livestock and livestock products exports, which last year hit a new record and exceeded imports of these products for the first time, will decline slightly this year to about $2 billion. Within this category, we expect beef exports to increase and pork exports to decline. There should be a slight rise in poultry exports, and dairy product shipment may rise slightly.

Some decline is anticipated for cotton and for tobacco, both in volume and value, while exports of fruits and vegetables are expected to continue to rise, thanks in large part to poor fruit crops in Europe.

What it all adds up to is that for the first time in 8 years, U.S. agricultural exports are not expected to show a value increase.

Still, we are expecting U.S. agricultural exports of more than $20 billion for the fifth straight year. And this is a

level over three times greater than the average of the 1960's.

Most of us are familiar with the history of that dramatic growth: Rising world income, crop shortfalls, devaluation, and other factors that triggered an upsurge in export demand to which U.S. farmers responded quickly.

There is more to the story, however—an aspect we tend to overlook. It is that the sharp growth in the seventies came from a solid foreign-marketing base laid in the 1960's. There was the market development work, begun in the fifties; there was a shift toward export marketing in U.S. farm program pricing policies; there were major trade negotiations, including the achievement of a zero-duty binding on soybeans to the European Community; and there was the growth of U.S. agriculture's reputation as a dependable supplier.

Apparent Plateau in Export Growth

Those elements remain largely intact as we stand on what appears to be a plateau in export growth. The question as we move into the final 2 years of the hectic 1970's is how best to use these resources to build for new growth under new conditions.

Things have changed in international agricultural trade since the 1960's. Competition has increased, particularly in oilseeds. The European Community continues as our traditional and most important market, but its relative importance has declined as other markets have emerged. While U.S. agricultural exports to the Community were going up by 2.7 times from 1970-72 to 1976 to $6.4 billion, exports to the rest of the world went up even faster—by 3.3 times, to $15.8 billion.

Japan, for example, crossed the billion-dollar mark as U.S. agricultural customer in 1970, and last year bought more than $3.5 billion worth as our most important single-country market. West Germany and the Netherlands, traditionally near the top, were second and third last year, but the fourth largest market was the Soviet Union, an indication of the increasing role played by the centrally planned economies in U.S. agricultural export trade.

Between 1970 and 1976 the share of U.S. agricultural trade represented by these nations grew from 2.5 percent to 10.5 percent, on a value basis.

The value of U.S. exports to the developing countries has grown by about three times since 1970; but most significant is the change in the mix from concessional to commercial sales.

Export commodity components also have been changing. Growth has been most rapid for feedgrains and soybeans—products that support the production of livestock products. There have been notable gains in fresh fruits and other higher cost food items. But the center of this growth has been shifting from Western Europe, to Japan, and, for feedgrains to the USSR, Eastern Europe, and, to some extent to the higher-income developing countries such as South Korea and the Republic of China on Taiwan.

Wheat trade patterns also are changing. Wheat trade to the developed countries has grown little in the seventies, but the demand for wheat in the developing world is growing. Since 1974, more than one-half of world wheat imports have been by developing countries, and recent studies project their food-grain import needs by 1985 to possibly double the 30-45 million tons of 1970-75.

The People's Republic of China also appears to be emerging as a regular buyer of large amounts of wheat. You will recall that the United States sold the PRC 5.1 million tons of wheat in 1972-74. Then the PRC quit buying from us, but not from others. It is expected that China will import at least 9 million tons this year—from Canada, Australia, and Argentina.

What all this suggests is that U.S. export strategies for the future must be based on where we can sell a commodity as well as how we can sell it. It suggests that economic development programs in poorer countries can be as important as sales promotion campaigns among the prosperous . . . that credit facilities and most-favored-nation treatment can be as potent as the shrewdest trade negotiator in laying the base for solid, sustained growth in U.S. agricultural exports.

It suggests a total approach to U.S. market development that takes account of the three distinct markets that have emerged during the hectic period of the 1970's. There are the developing countries, in which poverty keeps the lid on effective demand from a huge and rising reservoir of food needs. Then there are the centrally planned economies, where States have decreed more meat, milk, and eggs for the people, but foreign exchange and weather are the keys to how fast and how far the increases will go. Finally, there are the developed countries, where import barriers—imposed largely to support domestic agricultural programs—serve to restrain the demand for higher-priced foods resulting from the economic growth of the sixties and the early seventies.

The task of export expansion is to put together an approach adapted to each of these markets and to do so with the objective of tapping the demonstrated long-term potential in each.

Perhaps it seemed appropriate for the times, but I think the United States in the past has focused too hard on immediate problems in the agricultural trade—the ad hoc "quick fixes" that spawned embargoes, trade wars, and other aberrations from which nobody gained.

Steel, Shoes, TV Sets . . . and Agriculture

In this regard, the problems of steel, shoes, and TV sets are, in part, the problems of American agriculture, for the means by which these problems are resolved have profound implications for our own ability to keep export channels open and to seek expanded markets.

Our focus should be on the very evident future growth of world demand for agricultural products and on ensuring our share of that growth.

I suggest that we have reached a watershed in U.S. trade policy. The sluggish world economy as well as long-term structured developments in that economy have given rise to a new pattern of protectionism. And in such a context, we must be cautious that the policies we follow do not contribute to the weakening of the General Agreement on Tariffs and Trade (GATT) framework, within which world trade has expanded over the past several decades.

It is easy to find actions by other countries to expand their trade position that contravene established trade rules. We must resist the tendency to emulate such actions both in interest of our own economy and the expansion of world trade. Otherwise we may contribute to a snowballing effect where the structure, imperfect as it may be, for the orderly

expansion of trade is replaced by efforts of nations to maximize short-term gain regardless of the long-term effects.

A good case in point is the export subsidy. Through sustained efforts, we have been able to limit its use against U.S. exports to third markets.

Effects of Export Subsidies

But in periods of oversupply there are domestic pressures to return to such subsidies. Yet while a subsidy might provide some cosmetic relief, we have not been able to develop evidence that the subsidy can be effectively used to preserve market share over any sustained period. Rather, the only effect we can be sure of is that a subsidy will result in a loss of income on the part of all producing countries.

There is also the question of bilateral trade agreements. The Soviet grains agreement has been useful in regularizing U.S. grain trade with the USSR and in providing an avenue of communication with the Soviet Union on its import requirements. However, we should recognize that even in the area of information-sharing, gains are going to be of an incremental nature. We feel that the Soviets understand that improved sharing of information is as important to them as it is to us. I believe they recognize that extremely disruptive buying patterns could lead to further restrictions on their access to U.S. markets. But I would also hope that this agreement, which was shaped in a time of tight supply, does not become a restriction, in itself, on regular and expanded trade with the Soviet Union.

The case of the Soviet Union is somewhat exceptional. It is one of an open system selling to a closed system that accounts for the major share of variability in world grain trade. I do not, however, see bilateral trade agreements and greater structuring of world trade replacing the basic principles of trade that have guided its expansion over the past 40 years.

We have entered into informal agreements with a few other countries, but more structured agreements would not be in the interest of U.S. export trade over the longer term. To structure that pattern of world trade, in our view, would not only inhibit agricultural adjustment that might be in our interest, but would contribute to greater instability of world markets.

The rush for supply/purchase agreements can be expected to be limited by the size of the market in an average year. That means there will be a residual market subject to accentuated supply and demand pressures. We feel, therefore, that to encourage the modification of such agreements to structure trade is a risky strategy and one that would undermine the basis upon which we have enjoyed greatly expanded trade through our comparative advantage.

The Department has launched a course of action to implement this policy of stable, sustainable growth in agricultural exports through its market development program and international negotiations.

As in the case of market development in general, trade negotiations require long-term strategies. We must look to realistic growth potential before spending negotiating chips.

The economic climate for the current round of trade negotiations is not very favorable, but the negotiations must show some progress in the rationalization of trade. The alternative is an acceleration of the current tendency to try to solve short-term economic stresses and chronic productivity problems with trade restraints.

We have tabled a tariff plan for industrial goods—a tariff formula intended to be indicative for reductions in agricu!ture. We have tabled our trade requests of other countries. Proposed codes on subsidies and other trading mechanisms are to be tabled December 15, and offers in response to requests are to go down January 15. Then the hard negotiating can begin.

A top priority among our objectives in the MTN is to preserve existing U.S. rights in major markets.

We will continue to press hard, also, for improved access to markets. But we will do so more selectively, in the context of market potential as well as current buying power, and in terms of what is possible as well as what is desirable. Each chip shoved on the table will be weighed for its contribution to the primary objective of enhancing the long-term global opportunities for stable, sustained U.S. agricultural export growth.

As one aspect of the search for this objective, the United States is participating in discussions regarding the negotiation of an agreement to replace the current International Wheat Agreement. In October, the United States tabled a specific proposal providing for greater security of world food supplies, moderation of extreme price fluctuations, expansion of international trade in wheat, and assured food aid to developing countries.

Different Viewpoints Continue

While a consensus seems to be emerging among participating countries along the lines of the U.S. proposal, there continue to be differences of view as to how the stabilization of wheat prices is to be achieved. The next step is a meeting of the Council itself November 29 to December 2 to review the work of the last two Preparatory Group meetings. It is likely that a drafting group will meet in early December to revise the Secretariat's draft. Then a special Council session may be called in early January to consider that draft and decide whether to convene a negotiating conference in mid-February.

The U.S. view continues to be that an effective Wheat Agreement is needed to reduce the wide price swings that have disrupted world markets repeatedly since 1972.

We will not, however, accept an agreement requiring an alteration of our marketing system. We will not accept a pricing system that would make our grains less competitive in the world market. In other words, any wheat agreement that we become a party to must permit our markets to function—so that efficient producers have an opportunity to compete in a world market not bound within rigid price limits.

The United States took an active role in negotiation of the International Sugar Agreement, to become provisionally effective January 1. We believe the Agreement will contribute to long-term solution to the very troublesome world sugar instability.

World demand for agricultural products is growing, and it will continue to grow. The challenge in export expansion is to encourage the fulfillment of that demand by sustainable, stable growth in world trade, and to ensure that U.S. agriculture gets its share.

We must, therefore, continue to build the strongest case we can for the expansion of, not protection against, world trade. □

Turkey: Land of Potential and Problems

Turkish agriculture has a wealth of advantages—a climate that varies greatly, conducive to growing citrus as well as wheat, a large labor source enabling the country to concentrate on labor-intensive crops such as tobacco and cotton, and an excellent geographic location for shipping fresh produce to the European market. But Turkey also has its problems—difficulties that need to be tackled if Turkey is to realize its great agricultural potential.

Turkey is a country with great agricultural potential and serious agricultural problems.

It has a diverse climate that can grow crops ranging from wheat to citrus, and it has a plentiful supply of labor. At the same time, Turkey's landholdings are fragmented, its marketing system is inefficient, and its financial position is precarious, with a growing balance-of-payments deficit.

These problems must be dealt with—and soon—if Turkey is to make full use of its capabilities, according to Walter Stern, U.S. Agricultural Attaché in Ankara, who was interviewed recently by *Foreign Agriculture*.

In Stern's view, agricultural exports are basic to solving the problems of trade deficit, which this year will be over $3 billion, and dwindling foreign exchange reserves, which in 4 years have dropped from $2 billion to less than $650 million.

Stern cited petroleum import costs and the European recession, which cost many Turkish workers in Europe their jobs, as causes of the decline in reserves. These workers have sent home as much as $1.4 billion a year, but this had dropped to $982 million by 1976.

In addition, Turkey's concentration on the development of heavy industry is putting upward pressure on imports. "They want to do it very quickly, and that's a very costly proposition," said Stern. He pointed out that Turkey's import bill will be over $5 billion in 1977, with exports only $2 billion, and "no country can continue that way year after year."

To meet the problem, he said, Turkey must cut back on imports and expand agricultural exports, which provide about two-thirds of total export earnings.

About 60 percent of the Turkish people work in agriculture, which contributes around 20 percent to the gross national product at constant prices (25 percent at current prices), according to Stern. Agricultural exports have been running about $1.0-$1.3 billion a year, chiefly cotton, tobacco, filberts, and—within the last year—wheat. Tobacco is likely to replace cotton as the No. 1 agricultural export this year.

Turkey used to buy about $100 million worth of agricultural goods from the United States, mostly wheat, said Stern, but this trade is now less than $10 million because high Turkish grain output and stocks of about 5 million tons have almost eliminated Turkey as a wheat market. The Turks also import some U.S. dairy cattle, vegetable oil, and tallow.

The United States still purchases over $100 million worth of Turkish farm products, 80 percent of which is tobacco. "So right now," said Stern, "agricultural trade between the two countries is very unfavorable from our point of view. We were hoping to improve some sectors, but it is going to be difficult, particularly with Turkey's economic problems."

In his discussion with *Foreign Agriculture*, Stern cited some of the strengths and weaknesses of Turkish agriculture.

A primary strength, said Stern, is that Turkey has a great variation in climate and topography. "The eastern half of the country is very hilly and mountainous . . . pretty much devoted to livestock farming." The southern region is the main cash crop producing area, where cotton, wheat, tobacco, and fresh produce is grown. In the central area of the country, wheat and sunflower are the primary crops cultivated.

But there are many negative factors in Turkish agriculture, including a relatively low Government budget for agriculture, pricing policies, small landholdings, an inefficient marketing system, and poor management.

For example, although Turkey has some 75 million head of livestock, Stern said, management practices are fairly weak. "Turkey manufactures less than 1 million tons of commercial feed—a fraction of its domestic needs. What farmers need to do," Stern pointed out, "is reduce their herds and really concentrate on developing an efficient livestock management program."

As part of its goal toward food self-sufficiency, Turkey will not import commercially compounded feeds or feedgrains. Stern pointed out that Turkey would be a good market for U.S. feedgrains, particularly corn and soybeans, if the Turkish Government would allow such imports.

Turkey's large source of labor is another factor in its favor; it enables the country to concentrate on labor-intensive crops such as cotton and tobacco, he said.

"Turkey has about 25 million hectares of land—about 8 million of which could be irrigated, but presently only 2 million hectares are. Currently there is a program to build seven dams (over the next 5-10 years), and once that is completed," he said, "cotton production can be doubled or tripled very easily."

The 1977 cotton crop—80 percent of it grown on irrigated land—is expected to be some 600,000 tons (2.8 million 480-lb net bales).

One problem in the agricultural system of Turkey that is similar to that in other European countries, said Stern, is that individual landholdings are small.

"Some 75 percent of the farms are between 0.5 and 5 hectares; only about one-tenth of 1 percent of the farms are over 100 hectares and this makes for great inefficiency," said Stern.

The land reform program is in a precarious condition, according to Attaché Stern. "The Government has pur-

By Lynn Krawczyk, staff editor, Foreign Agriculture.

Left, threshing grain in Turkey. Recently, wheat has become an important agricultural export for Turkey, owing to high output and stocks of about 5 million tons. Right, handpacking and grading of peaches. Because of its excellent geographic location, Turkey has great potential to supply Europe with fresh fruit.

chased some 175,000 hectares, but only redistributed a small percentage—perhaps one-fourth of it.

"Under the program," he explained, "Turkish farmers are allowed to keep 120 hectares of dry land or 40 hectares of irrigated land. Anything above that supposedly has to be redistributed. "And," he added, "only in the eastern part of the country is the land reform program being followed at all."

The Turkish Government's pricing policy is another area needing improvement. "In Turkey," Attaché Stern said, "there is no set system of cropping. If the Government wants to encourage production of a certain crop, it is done strictly by a pricing mechanism."

"Until 1973/74," said Stern, "their support prices were fairly much in line with world prices. But then . . . world prices shot up and so did (Turkish) support prices." Support prices historically tend to advance and seldom—if ever—revert to their original levels, he pointed out.

"Currently," said Stern, "the major support prices in Turkey are way out of line with world prices. For every ton of wheat Turkey exports, the Government loses about $100 per ton. Thus far this year, Turkey has sold 1.87 million tons, and each time a ton is sold, the equivalent of $100 per ton has to be paid out of the Treasury."

In the past, Stern pointed out, the Turkish Government had the same problem with cotton. "The only way they could move their cotton on the world market was to give tax rebates of 10-15 percent to producers." (The subsidy currently is 15 percent.)

Attaché Stern said the Turks have recently found it quite profitable to export yarn and textiles. In 1976, Turkey increased its share of the EC yarn market to 35 percent, shipping 93 percent of Turkish yarn exports to that market.

And Turkey is still exporting considerable amounts of textiles to the EC. This year, textile exports will probably total $250 million, compared with $160 million a year ago.

"However," Stern pointed out, "the textile industries in the EC are suffering; if this continues, I'm sure the EC will put further restrictions on Turkey's textile exports, unless Turkey ups its prices." In March 1977, after consultations with the EC, Turkey reduced the yarn rebate from 20-25 percent

to 5-10 percent.

Other problems in the Turkish agricultural system are the extension service and marketing operations. Stern said he had visited some research farms, which are well run and staffed with well-qualified personnel, but unfortunately, whatever information is gathered at research stations and universities seldom reaches the farmer.

"Last March," said Stern, "we negotiated a technical cooperation agreement between the USDA and the Turkish Ministry of Agriculture. It was not implemented owing to lack of funds.

"Similarly, an arrangement to send six (agricultural) specialists to Turkey last year to look at research, the extension system, and food processing has not yet materialized because of a shortage of funds."

Stern sees Turkey's agricultural marketing system as a major handicap. According to Attaché Stern, Turkey lacks an efficient way of marketing their fruits and vegetables.

Because of Turkey's excellent geographic location and because there are from 60,000 to 80,000 greenhouses situated on its southern coast, Turkey has great potential to supply the European market with fresh fruit, if the Turks could get their marketing organized.

Stern said cooperatives in Turkey, which are used by the Government, are somewhat different from those in the United States. "For example," said Stern, "if cotton, filberts, or raisins have a minimum price, co-ops will buy at that price, and then, when they sell these commodities on the world market they do their best to get whatever price they can. Any losses sustained are reimbursed by the Government. These cooperatives are used like a marketing structure for the Government. That," said Stern, "is a pretty costly proposition."

As in other countries, Turkey has organizations for special commodities. One is the TMO (Soils Product Office), which buys all cereals and poppies. Another is the Sugar Corporation, which currently has 17 sugar factories. (Turkey is self-sufficient in sugar production and will export an estimated $5 million worth in 1977.)

The Turkish Tobacco Monopoly, a Government agency, is the sole importer and manufacturer of tobacco products in Turkey. Turkey has always pursued a very restrictive policy with regard to imports of leaf tobacco and tobacco production. Official imports are extremely small. Contraband cigarette imports flourish, but still make up a very small percentage of Turkey's total consumption.

"Usually," said Stern, "the tobacco crop is bought half by the trade and half by the Monopoly. But this year, there was such uncertainty about exporting it that the Monopoly had to buy most of the tobacco. But they set the minimum price rather high, and they also set how much an exporter can ship." As a result, Turkey has run into problems with major export customers, because they can turn to Yugoslavia, Greece, and Bulgaria to buy similar types of oriental tobacco at lower prices.

Turkey's current problems in tobacco are due to massive overproduction in 1976 and, until recently, official minimum export prices that were unrealistically high.

The Government of Turkey is now reducing tobacco export prices (through various export subsidy schemes) to clear surplus 1975 and 1976 crop stocks.

But the consequences of surplus production in recent

Continued on page 14

Egypt's Imports Of Vegetable Oils Continue To Grow

By Abdullah A. Saleh

Despite high yields for some crops, Egyptian agriculture is unable to meet growing consumer demand for basic food items, such as vegetable oil. As a result, Egypt's imports of this commodity are expected to grow, and Egypt will likely continue as a major outlet for U.S. cottonseed oil and other vegetable oil exports. In addition, Egypt's intensifying poultry industry will boost demand for feedgrains, auguring well for U.S. soybean meal exports in the future.

Egypt's total edible fats and vegetable oil consumption in 1977 is estimated at 360,000 metric tons. However, only some 100,000 tons are produced domestically, necessitating imports of roughly 260,000 tons—a figure that could reach 400,000 tons by 1980.

Oilseed production in Egypt must compete fiercely with other crops for Egypt's limited arable soil. The physical area of Egypt's cropland is roughly 2.4 million hectares, but multiple cropping boosts this total to 4.6 million. In 1977, area planted to oilseeds was roughly 710,000 hectares, or 15 percent of Egypt's cultivated area. Some 90 percent of this oilseed area is planted to cotton.

Cottonseed is the primary source of edible oil in Egypt. In 1976/77, an estimated 91,000 tons of cottonseed oil were produced, crushed from 570,000 tons of cottonseed. Total area planted to cotton in 1976/77 was 524,000 hectares, yielding 678,000 tons of seed. Some 16 percent of this amount was used to seed the 1977/78 crop.

But domestic cottonseed oil output is unable to meet Egyptian demand, and Egypt has become the largest U.S. customer for cottonseed oil. Of the 189,100 tons of cottonseed oil Egypt imported in 1976/77, an estimated 154,800 tons (82 percent) were from the United States.

Key factors in Egypt's imports of U.S. cottonseed oil are availability of money and price, which determine both the level and composition of total vegetable oil imports by the Government.

Imports of fats and oils in Egypt are handled by the Government through public tenders. Although price determines the type of oil imported, the Egyptian preference is for cottonseed and sunflowerseed oils. Imported cottonseed oil is usually prime bleachable summer yellow (PBSY).

Other oilseed crops grown in Egypt include sesame, sunflower, flax, peanuts, as

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well as some soybeans.

Sesameseeds are crushed mainly for *tahina*—crude oil used as a dressing in many Middle Eastern food dishes—and in the manufacture of *halva*, a local sweet. Area planted to sesame in Egypt in 1976/77 was some 13,000 hectares, producing 5,000 tons of oil. No sesame oil is used for direct consumption, although 15 years ago it was a popular all-purpose oil on the market.

Area planted to sunflowers in 1976/77 was 8,453 hectares, producing 13,000 tons of seed and yielding 3,800 tons of sunflowerseed oil. Import requirements for sunflowerseed oil, however, range from 25,000 to 60,000 tons annually.

Currently, there is an agreement between Egypt and the USSR through which Egypt could purchase 20,000-50,000 tons of sunflowerseed oil annually and sell cotton to the USSR. So far, however, Egypt's imports of sunflowerseed oil originate in Eastern Europe, as there has been no direct offer by the USSR for sale of sunflowerseed oil owing to the poor 1976 Soviet sunflower crop. The last purchase of Soviet sunflowerseed oil was in 1972, amounting to 15.000 tons.

In calendar 1976, Egypt imported 40,000 tons of sunflowerseed oil from Eastern Europe, 21,000 tons from the United States, and 4,580 tons from the United Kingdom.

The price of sunflowerseed oil depends upon the level of oil acidity; Egypt's specifications call for less than 2 percent acidity, and—in order to be comparable with cottonseed oil in Government tenders—it has to be at least 6 percent less in price than PBSY cottonseed oil. Even at the 6-percent price differential, PBSY is still preferred to sunflowerseed oil.

Some 20,000 hectares of flax were also planted in 1976/77, producing 28,000 tons of linseed and 9,700 tons of oil, practically all of which is slated for the paint industry.

Area planted to peanuts in 1976/77 was approximately 13,500 hectares, yielding 28,000 tons of peanuts. No peanuts are crushed in Egypt, however, as they are consumed as salted nuts and in confectioneries.

Egypt: Vegetable Oil Imports by Type and Source, 1971-76

[In 1,000 metric tons]

Commodity	1971	1972	1973	1974	1975	1976
Coconut oil:						
USSR	0	0	2.00	0	0	0
Total	0	0	2.00	0	0	0
Soybean oil:						
United States	0	0	0	0	0	10.00
European Community	0	0	0	0	0	25.00
Total	0	0	0	0	0	35.00
Rapeseed oil:						
Canada	0	0	0	0	0	3.50
Total	0	0	0	0	0	3.50
Cottonseed oil:						
United States	110.00	68.25	158.05	117.21	189.40	81.00
Sudan	10.00	37.22	1.00	0	3.20	0
European Community	0	4.00	1.00	10.00	3.35	9.50
United Kingdom	0	0	0	0	0	[1]2.50
Total	120.00	109.47	160.05	127.21	195.95	93.00
Sunflowerseed oil:						
United States	0	0	0	19.00	0	21.00
USSR	0	15.00	0	0	0	0
Eastern Europe	0	6.00	37.20	32.60	27.00	40.00
United Kingdom	0	0	0	0	0	4.58
Total	0	21.00	37.20	51.60	27.00	65.58
Palm oil:						
Malaysia	0	0	0	2.00	0	0
Total	0	0	0	2.00	0	0
Grand total	120.00	130.47	199.25	180.81	222.95	197.08

[1] Donation. Source: Ministry of Supply, Egypt.

Egypt: Vegetable Oil Imports by Type and Source, 1971-76

Year	Cottonseed	Soybeans	Sunflowerseed	Sesame	Peanuts	Linseed
1972						
Area [1]	652.0	1.193	11.294	17.639	14.329	14.072
Production [2]	895.0	1.355	18.199	24.061	29.556	16.453
1973						
Area [1]	672.0	2.631	5.616	15.212	12.349	16.620
Production [2]	862.0	2.498	8.354	21.428	25.842	19.362
1974						
Area [1]	610.1	1.818	7.876	11.391	12.208	19.337
Production [2]	753.0	2.063	11.720	13.910	25.156	22.574
1975						
Area [1]	565.3	3.572	8.148	13.713	13.352	22.875
Production [2]	662.0	4.808	12.239	17.326	27.655	26.784
1976						
Area [1]	524.0	7.123	8.453	12.936	13.475	19.946
Production [3]	677.0	11.407	13.475	13.009	28.407	24.180
1980						
Area [4]	630.0	([5])	14.700	29.400	16.800	21.000
Production [1]	890.0	([5])	24.500	45.000	38.000	30.000

[1] In 1,000 hectares. [2] In 1,000 metric tons. [3] Unofficial. [4] Projected. [5] Not available.
Source: Statistical and Agricultural Economics Division, Ministry of Agriculture, Cairo.

Soybean production is still in the experimental stage. Production started in the mid-1960's on 200 hectares and has grown to over 7,000 hectares in 1976/77, twice the area of a year earlier. At 18 percent oil, the 1976/77 output of 10,800 tons of soybeans should yield some 1,950 tons of soybean oil. This crop is also the first to be crushed in Egypt.

Egypt's imports of soybean oil in calendar 1976 amounted to 35,000 tons—10,000 from the United States and the balance from the European Community (EC), apparently of Brazilian origin, as Bank of Brazil export data show a similar amount exported to Egypt.

A switch from some cottonseed oil imports to the 35,000 tons of fully refined and partially hydrogenated soybean oil in calendar 1976 saved the Government of Egypt some $7 million. However, owing to different technical characteristics, crude cottonseed oil and soybean oil cannot be mixed in storage tanks, necessitating separate storage facilities. And so, in addition to price, these storage constraints determine the level of soybean oil imports.

Soybean oil, primarily for use in shortening production, is usually imported fully refined in drums through the Ministry of Supply and Trade. However, drums are expensive and have no resale value. Owing to capacity constraints, only cottoonseed oil and sunflowerseed oil are refined in Egypt.

The Government of Egypt is seeking a joint venture in soybean processing. It currently has two modern plants, each with a daily crushing capacity of 200 tons of seed. These plants, in addition to Egyptian labor, will be considered Egypt's share of the processing venture.

Egypt's expanding poultry industry is escalating demand for soybean meal and feedgrains as well. Production of broilers in 1976 was 60 million head, or 60,000 tons of meat. Total meat production projected for 1980 is 400,000 tons, some 200,000 tons below projected demand.

Egypt's imports of coconut oil, palm oil, and rapeseed oil appear to be limited. In 1976, some 3,500 tons of rapeseed oil were imported from Canada. Imports of other oils were only 2,000 tons of coconut oil shipped from the USSR in 1973 and 2,000 tons of palm oil from Malaysia in 1974.

The vegetable oil market in Egypt is controlled by the Government. Monthly distribution amounts to 30,000 tons, of which 10,000 tons of liquid oil and 10,000 tons of shortening are allocated to consumers. The balance—10,000 tons of liquid oil—is channeled to restaurants.

Egypt's port storage capacity for vegetable oil is limited to one terminal in Alexandria with a capacity of 20,000-25,000 tons. When emptied and filled six times a year, as is currently done, total storage is 120,000-150,000 tons, far below the country's 260,000-ton oil import requirement.

The terminal in Alexandria is old, and although plans for expanding the capacity of this port terminal have been on paper for at least 15 years, nothing has been done. Egyptian officials have suggested that U.S. soybean oil exporters install storage tanks at the terminal at their own expense. This would reduce the exporters' costs in the long term and allow them to compete favorably for Egyptian Government tenders for vegetable oils, which currently favor cottonseed oil over soybean oil.

Present Egyptian capacity for vegetable oil refining is estimated at 200,000 tons, but shortening production is placed at only 180,000 tons.

A new $7-million processing and refining complex was established in the free zone of Alexandria in 1976 and is still under construction. When completed, this Lebanese-British venture will have an annual processing capacity of 150,000 tons (soybean equivalent).

The plant is equipped with eight silos (each with a capacity of 4,000 tons), five storage tanks for crude oil (30 tons each), and three tanks for refined oil (500 tons each). Meal storage capacity is 5,000-6,000 tons.

Most of the oil and meal from this plant is expected to be sold in Egypt, although since the plant is located in the free zone it can sell to any buyer. Sales to Egypt, however, will be the most profitable. □

Continued from page 12

Turkey's Agricultural Potential

years will be felt probably through 1979.

Turkey will have to restrain tobacco production and prices for a few years to keep from knocking the bottom out of export prices for oriental tobaccos over the short to midterm period.

Asked about the possibility of Turkey becoming a member of the European Community (EC), Stern replied that this proposition is not in the near future. To become a member, Turkey would have to strengthen its economy, establish acceptable standards in agricultural products, and revise its marketing structure, and these things will take time.

Turkey is currently an Associate Member of the Community, but is still discussing with the EC access for some products.

The outlook for Turkey in general, Attaché Stern feels, is somewhat optimistic—if the country comes to grips with its problems and initiates and upgrades programs for agriculture. "Turkey will have to reorganize some of its priorities, particularly wheat. The Government will have to decide if Turkey is going to become a wheat exporter in the future. Can they afford to lose $100 per ton or would it be better to shift to some other crop where less money or perhaps even the Government would lose get money?" □

Continued from page 5

Saudi Output, Exports

from 92,000 tons in 1973/74 to 122,000 in 1974/75. Millet output had gained from 134,000 tons in 1970/71 to about 215,000 in 1974/75, largely because of improved irrigation in Jizan Amarite and greater use of fertilizer.

Barley production has remained below 31,000 tons annually, and rice production, under 2,000, with rice output held down by a lack of irrigation water.

Sesame is Saudi Arabia's leading oilseed crop, with an annual output of about 20,000 tons. New land reclamation projects are likely to include peanuts grown from imported U.S. seed. Production of sunflowerseed also is expected to become substantial. □

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Indonesian Planting Scheme To Up Coconut, Palm Product Output

Indonesia is planting millions of new and/or improved oil palm and coconut trees and opening new palm oil processing facilities in an effort to boost further its growing output of coconuts and palm fruit and its exports of palm oil and kernels.

Output from newly planted trees will enable Indonesia to push production in future years well above the 1976 level of 1.43 million tons of copra (3 percent over 1975 output), 82,100 tons of palm kernels (down 1 percent), and 433,500 tons of palm kernels (down cent).

The copra production increase between 1975 and 1976 came from an 87,440-hectare rise in coconut area to 2.3 million hectares and improvements in estate management. Large growing areas were sprayed from the air and planting with hybrid trees gained momentum.

Plans call for coconut areas in all of the country's 27 provinces to be improved and up to 17.5 million hybrid coconut seedlings planted a year.

Favorable weather and a continuing program of estate improvement were major factors contributing to the substantial production of palm fruit and the increase in palm oil output.

In 1976, exports of palm oil were 50 percent greater than in 1975—386,200 tons compared with 405,-600 tons—and palm kernel exports were 24 percent higher—a rise from 20,500 tons to 25,600.

Because domestic coconut oil prices were somewhat higher than those on the world market, there were no copra or coconut oil exports after June 1976. Before the cutoff, copra exports amounted to 3,900 tons and coconut oil, 13,-300 tons. For all of 1975, copra exports were 33,000 tons and those of coconut oil, 23,700 tons.

Coconut production is expected to rise sharply in 1977—probably to a level sufficient to meet domestic demand, thereby forcing down the price of coconut oil and permitting larger exports of copra and coconut oil.

The high hopes for the future are based on increased production from the 5 million hybrid coconut seedlings imported from West Africa in 1975/76 to replace existing varieties whose output had been dropping. But it will be some time before the new trees begin to add noticeably to the country's output of copra and coconut oil.

These trees will bear fruit only after reaching 3-4 years of age and probably begin to make a serious contribution to the country's output a few years later. Between ages 3 and 5, the trees will produce about 600 kilograms of copra each and at 13 years have an output of 6.7 tons of copra per hectare. However, the hybrids are shorter than the trees being replaced, their 8-meter height making it easier and safer for workers to pluck palm bunches. Also, the new trees bear fruit in half the time of the older ones, produce about three times as much, and are virtually pest free.

Indonesian researchers also have hybridized the Nias coconut variety from Sumatra and several from south and central Sulawesi, producing a cross that matures in 3½ years. It is expected that by 1985, plantings of this variety will be large enough to replace many old coconut stands.

Indonesia's palm oil production is expected to reach 1 million tons annually by 1989, largely because of better yields from improved varieties. Already palm cluster yield in some areas has benefited from the crossing of the Dura and Pisifire palm varieties. Harvested palm area in 1976 totaled 143,850 hectares, up from 137,620 hectares a year earlier.

In anticipation of future palm outturn growth, two State agricultural estates in northern Sumatra put into operation in early April 1977 two palm oil mills and a cooking oil factory. The larger mill has a processing capacity of 60 tons of palm fruit an hour, the other a 30-ton capacity, later to be expanded to 60 tons an hour. The cooking oil factory can produce 80 tons of palm oil daily.

Although Indonesian palm oil exports rose by 4.8 percent in volume between 1975 and 1976, their value fell by 11 percent from US-$151.6 million to $135.5 million. During the same 2 years, both volume and value of palm kernels rose—volume by 19.8 percent and value by 26 percent—from $2.57 million in 1975 to $3.24 million the next year.

The change in palm oil export value was attributable to the decline in the oil's average value. Increases in the volume of palm oil were mainly because of larger takings by some of Indonesia's regular customers. Of 1976 exports of 405,600 tons, Pakistan took 19 percent more; the Netherlands, 18 percent; West Germany, 11 percent; Kenya, 9 percent; and Japan, 8 percent. Only 7 percent of the total was shipped to the United States. □

Based on report from Gordon O. Fraser, U.S. Agricultural Attaché, Jakarta.

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British Food Industry Buyers Attend U.S. Exhibits

U.K. food industry tradesmen, attending U.S. exhibits in Solihull, Bristol, and London in late September, bought $80,000 worth of U.S. food items, and gave rise to expectations that sales in the following half year would total some $500,000.

Designed to give U.K. agents of U.S. firms an opportunity to meet the trade in the three cities, the exhibits featured 210 products of 52 American firms.

Clockwise, scenes from the shows: Home Economist Rosemary Pester (center), distributes food prepared during a seminar; Kenneth S. Taylor (left), Director of Exhibits and Special Promotions, U.S. Agricultural Attaché's Office, London, and Peter Walsh, Fredk. Roe, Ltd.; and Miss Pester, preparing food during the seminars.